

**COURT OF CHANCERY
OF THE
STATE OF DELAWARE**

TIMOTHY J. FOX, JR.
MAGISTRATE IN CHANCERY

**LEONARD L. WILLIAMS JUSTICE CENTER
500 NORTH KING STREET, SUITE 11400
WILMINGTON, DE 19801-3734**

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Date Decided: October 26, 2026

Via File & ServeXpress

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Re: *In Re: Rancho Verde*,
C.A. No. 2026-0412-TJF

Dear Counsel:

This letter resolves the respondent's pending motion to dismiss. Presented for the Court's consideration is whether a dismissal or stay of this action is required pursuant to Court of Chancery Rules 12(b)(1), 12(b)(3), 12(b)(6) and 12(b)(7). Respondent argues dismissal is warranted for three independent reasons, (1) the petition for dissolution fails to join a necessary party; (2) dismissal is appropriate under the doctrine of forum non conveniens; and (3) the petition fails to state a claim for judicial dissolution under 6 *Del. C.* § 18-802. At oral argument the respondent contended that stay may be more appropriate than dismissal.

For the reasons further explained below, I find the motion should be denied as the respondent's arguments inject factual disputes that cannot be resolved at this

stage. Respondent seeks to present as dispositive, items that are unresolved in other forums and would require development of the factual record in this action for further relief. Therefore, the respondent's motion to dismiss or stay is **DENIED**. This is not a final report under Court of Chancery Rule 144 and exceptions are stayed.

I. FACTUAL BACKGROUND¹

On July 1, 2020, Tracy Stevenson ("Respondent") and Barney Damos formed Rancho Verde, LLC ("Rancho Verde" or "Company").² Mr. Damos contemporaneously assigned his interest in the Company to Damos Irrevocable Trust (the "Petitioner").³ Rancho Verde is a Delaware limited liability company, whose sole asset is real property located at 7071 Rancho Verde Lane, Loomis,

¹ On the procedural posture of a motion to dismiss, I primarily draw upon the factual assertions within the Petition, Docket ("Dkt.") 1. Unfortunately, neither Dkt. 1, nor Dkt. 11 (Petitioner's Response Brief), attach Rancho Verde, LLC's Limited Liability Company Agreement, referred to in submissions by the Petitioner as the Operating Agreement. The Court therefore cites to Respondent's Opening Brief in Support of Motion to Dismiss, Dkt. 8 Ex. A [hereinafter the "Operating Agreement"], for additional factual information, relating to Rancho Verde, LLC's formation and operative provisions. *See* Dkt. 1 ¶¶ 18, 28, 29, & 41 (referring to the Operating Agreement and specific sections therein); *see also* Dkt. 11 at 3-5 (discussing the Operating Agreement and citing to Dkt. 1). As the Operating Agreement is referenced in the Complaint, it is a matter within the pleading. *See Malpiede v. Townson*, 780 A.2d 1075, 1090 (Del. 2001) ("Because the charter provision is not found within the four corners of the complaint, it is a 'matter outside the pleading.'"). Petitioner's Opposition to Respondent's Motion for a Status Quo Order cited to Dkt. 8 Ex. A as the operative Operating Agreement, and so I do not consider that issue to be disputed. Dkt. 18 ¶ 6.

² Operating Agreement at Sch. A.

³ *See id.* (Assignment and Amendment to Operating Agreement for Rancho Verde, LLC).

California (the “Property” or the “Asset”).⁴ When the Property was acquired, the Petitioner and Ms. Stevenson both contributed approximately \$108,000.00 toward its purchase.⁵ Petitioner and Ms. Stevenson⁶ are the only members (“Member(s)”) of the Company.⁷

Petitioner has funded an additional \$225,000.00 for expenditures and improvements relating to the Property post-acquisition.⁸ The Property is subject to an outstanding mortgage of approximately \$980,000.00, and is valued upon the Petitioner’s information and belief at \$1,500,000.00.⁹

Ms. Stevenson and the Petitioner attempted to negotiate a buyout beginning in October of 2025, of the Petitioner’s interest in Rancho Verde, but were unable to fully consummate such a transaction.¹⁰ The Members’ relationship has deteriorated further since the buyout negotiations, prompting the Petition.¹¹ Ms. Stevenson through the Tracy Stevenson Family Trust, commenced an action to enforce a

⁴ Dkt. 1 ¶¶ 4 & 19-20.

⁵ *Id.* ¶¶ 7 & 21.

⁶ *See* Dkt. 8 at 3-4 (discussing that Ms. Stevenson assigned her Member Interest to the Stevenson Trust in May 2024).

⁷ Dkt. 1 ¶ 5.

⁸ *Id.* ¶¶ 8 & 24-25.

⁹ *Id.* ¶¶ 22-23.

¹⁰ *Id.* ¶¶ 30-34.

¹¹ *Id.* ¶¶ 11-34.

purchase agreement of Petitioner’s interest in Rancho Verde.¹² The purchase agreement is attached as an exhibit to the Motion.¹³

The Operating Agreement contains: (1) a provision permitting the Company to “engage in any lawful activity for which limited liability companies may be formed in Delaware[,]”;¹⁴ (2) a provision requiring disputes be governed by Delaware law;¹⁵ (3) a provision setting forth forum selection and consent to jurisdiction in Delaware;¹⁶ (4) a provision addressing capital contributions and Member interests;¹⁷ and (5) a provision setting forth that membership interests are

¹² Dkt. 8 Op. Brief at 5 (“Four days after the Petition was filed, the Stevenson Trust commenced an action in the Superior Court of California for Placer County, captioned *Tracy A. Stevenson, as Trustee of the Tracy Stevenson Family Trust, May 31, 2024, v. Barney Damos, as Trustee of the Damos Irrevocable Trust, dated July 1, 2022, and Does 1 through 20*, Case. No. S–CV–005-7534 (the ‘California Action’). The California complaint alleges, among other things, that the Damos Trust refused to complete required escrow and transfer documents and that it made serious misrepresentations in connection with the purchase transaction.”).

¹³ *Id.* Ex. C.

¹⁴ Operating Agreement Section 2.

¹⁵ Dkt. 1 ¶ 18; *see also* Operating Agreement Section 21.

¹⁶ Operating Agreement Section 24.

¹⁷ Dkt. 1 ¶ 28 (citing Section 8 and asserting “each Member made an initial capital contribution and that no Member is required or permitted to make additional capital contributions without the consent or approval of all Members.”). The full provision provides:

Capital Contributions. Each Member has made an initial capital contribution to the Company (as to each, its “Capital Contribution”) in the amount of money or other property set forth opposite such Member’s name on the attached Schedule A in exchange for its respective Interest. To the fullest extent permitted by applicable law, no Member is required, or shall have the

determined by the ratio of that Member's capital contributions to the aggregate capital contribution of all Members.¹⁸ Additionally, management of the Company is controlled by Section 12 of the Operating Agreement,¹⁹ which provides in part:

The Company shall be managed by the Members, Managing Member shall be Tracy Stevenson until all members designate otherwise, and the Members shall have all powers and rights necessary, appropriate or advisable to effectuate and carry out the purposes and business of the Company. Except as to actions herein specified to be taken by all the Members or by the Members acting unanimously, all duties and powers of the Members shall be exercised by a Members holding a majority of the Percentage Interests.²⁰

Assignment of Member Interests are governed by Section 13 of the Operating Agreement:

Assignments. A Member may assign all or any part of its Interest only with the consent of Members holding a majority of the Percentage Interests held by Members other than the assigning Member. An assignee of an Interest may only be admitted to the Company as a

right, to make any additional Capital Contribution to the Company in excess of its respective initial Capital Contribution without the consent or approval of all Members.

Operating Agreement Section 8 (endnote omitted).

¹⁸ Dkt. 1 ¶ 29 (citing Section 9). The full provision provides:

Each Member's Interest in the Company shall be expressed as a percentage equal to the ratio on any date of such Member's Capital Contributions that have not been returned as of such date to the aggregate Capital Contributions of all Members that have not been returned as of such date (as to any Member, its "Percentage Interest").

Operating Agreement Section 9.

¹⁹ Dkt. 11 at 18.

²⁰ Operating Agreement Section 12(a) (emphasis in original).

substituted Member in respect of the Interest assigned to it with the consent or approval of the Members holding a majority of the Percentage Interests held by Members other than the assigning Member; provided, that the assignee must agree in a document or instrument to be bound by the terms of this Agreement.²¹

The Operating Agreement has a specific Dissolution provision, contained at Section 16, which provides:

Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of (a) the consent or approval of the Members to the dissolution of the Company or (b) the occurrence of any event causing the dissolution of the Company under the Act, unless the Company is continued without dissolution as permitted under the Act. Upon the dissolution of the Company, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying, or making reasonable provision to satisfy, the claims of its creditors and the Members, and none of the Members shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. A reasonable amount of time shall be allowed for the winding up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Company assets. This Agreement shall remain in full force and effect and shall continue to govern the rights and obligations of the Members and the conduct of the business of the Company during the winding up period. The Members, or any person(s) appointed by the Members to conduct the winding up, shall be responsible for overseeing the liquidation and winding up of the Company.²²

²¹ Operating Agreement Section 13.

²² Operating Agreement Section 16.

The Operating Agreement contains endnotes discussing various jurisdictional differences depending on the State of formation chosen by the members.²³ The Operating Agreement contains a header suggesting it may be a Damos Business Group form.²⁴

The Petition contains certain facts pleaded in the alternative with respect to the allocation of membership interests in Rancho Verde.²⁵ The Petition includes facts regarding expenditures of approximately \$225,000.00 made to improve and repair the Property owned by the Company,²⁶ and that those funds “were made for the benefit of the Company and its sole asset.”²⁷ As the capital contribution is factually unsettled, the Petition asserts that the Members are deadlocked, and that dissolution is appropriate.²⁸ No facts are available within the Petition to establish whether Respondent provided consent or approved the expenditures of approximately \$225,000.00 made by Petitioner. The Petitioner did not seek leave to amend the Petition before opposing the Motion to Dismiss.

²³ *Id.* at E-1 through E-5.

²⁴ *Id.* Cover Page (including a “Damos Business Group” logo initialed by TS/BD).

²⁵ *See* Dkt. 1 ¶¶ 2, 6, 44, & 47-48.

²⁶ *See id.* ¶¶ 24-25.

²⁷ *Id.* ¶¶ 26-27 (containing duplicate language in an apparent inadvertent error).

²⁸ *Id.* ¶ 48.

On September 25, 2026, the Respondent filed a Motion for Status Quo Order.²⁹ Petitioner filed an opposition to the Status Quo relief.³⁰ I heard argument on both the Status Quo relief and the Motion to Dismiss at a hearing on October 1, 2026.³¹ I took the Motion to Dismiss under advisement, subject to further briefing due October 8, 2026 from the Petitioner, and reply from Respondent by October 15, 2026.³² Petitioner's supplemental submission was filed on October 8, 2026.³³ Respondent's submission was filed on October 15, 2026.³⁴

I now turn to the analysis of these facts with respect to the Respondent's Motion to Dismiss.

II. LEGAL ANALYSIS

A. Standard of Review

As the Motion to Dismiss includes Court of Chancery Rule 12(b)(1) "lack of subject-matter jurisdiction" as a ground for dismissal, I begin with that item. This Petition cites 6 *Del. C.* § 18-802 for judicial dissolution, a statutory provision that

²⁹ Dkt. 15.

³⁰ Dkt. 18.

³¹ Dkt. 19.

³² Dkt. 20.

³³ Dkt. 26.

³⁴ Dkt. 34.

applies to Delaware LLCs.³⁵ As the Petition alleges Rancho Verde is a Delaware LLC, and seeks relief under section 18-802 for dissolution, I find the Court has subject-matter jurisdiction over the Petition and may consider the rest of the relief sought by the Motion to Dismiss.

“Under Court of Chancery Rule 12(b)(3), the Court will dismiss or stay a case for improper venue or forum.”³⁶ The Court is not constrained to the Petition, and may “consider extrinsic evidence from the outset.”³⁷

When considering a motion to dismiss under Court of Chancery Rule 12(b)(6), the Court accepts all well pleaded facts as true, accepts vague allegations as well pleaded if they give the opposing party notice of the claim, and draws all reasonable inferences in the non-moving party’s favor.³⁸ A claim will be dismissed only if there is no “reasonably conceivable” set of circumstances under which the

³⁵ *In re Coinmint, LLC*, 261 A.3d 867, 907 (Del. Ch. 2021) (citation omitted) (“By their terms, both Section 18-110 and 18-802 apply only to ‘limited liability compan[ies]’ defined under the Act as Delaware LLCs.”).

³⁶ *Hayworth Tanglewood IB, LLC v. Hayworth Tanglewood, DST*, 2026 WL 120299, at *3 (Del. Ch. Jan. 15, 2026).

³⁷ *Troy Corp. v. Schoon*, 2007 WL 949441, at *2 (Del. Ch. Mar. 26, 2007) (“Under this standard, the court ‘is not shackled to the plaintiff’s complaint’ and ‘is permitted to consider extrinsic evidence from the outset.’”) (quoting *Simon v. Navellier Series Fund*, 2000 WL 1597890, at *4-5 (Del. Ch. Oct. 19, 2000)).

³⁸ *Cent. Mortg. Co. v. Morgan Stanley Mortg. Cap. Hldgs. LLC*, 27 A.3d 531, 535 (Del. 2011).

alleged facts may support it.³⁹ “While the nonmoving party is entitled to ‘all reasonable inferences that logically flow from the face of the complaint,’ the ‘[C]ourt is not . . . required to accept as true conclusory allegations ‘without specific supporting factual allegations.’”⁴⁰

Joinder of a necessary party is governed by Court of Chancery Rules 12(b)(7) and Rule 19. Rule 19(a)(1) covers required parties, who “must” be joined if the Court “cannot accord complete relief among the existing parties,” in the absence of that person, or the absence impairs the ability to protect the interest or creates a substantial risk of incurring “double, multiple, or otherwise inconsistent obligations” for an existing party.⁴¹ I begin the analysis as the Respondent did with consideration of whether a necessary party has not been properly joined.

B. Joinder of a Necessary Party

The Petition alleges that Ms. Stevenson is one of two Members of Rancho Verde.⁴² The Respondent’s Brief attaches a document identifying that Ms. Stevenson assigned her interest to the Stevenson Trust in May 2024, not dissimilarly from how

³⁹ *Id.*

⁴⁰ *In re Seneca Invs. LLC*, 970 A.2d 259, 262 (Del. Ch. 2008) (footnotes omitted) (first quoting *Malpiede v. Townson*, 780 A.2d 1075, 1083 (Del. 2001); then quoting *In re Gen. Motors (Hughes) S’holder Litig.*, 897 A.2d 162, 168 (Del. 2006) (citation omitted)).

⁴¹ Ct. Ch. R. 19(a)(1).

⁴² Dkt. 1 ¶¶ 5 & 15.

Mr. Damos assigned his interest to the Petitioner around the time of the LLC's formation.⁴³ The Petition does not name the Stevenson Trust as a Respondent.

A Rule 12(b)(7) “determination is, in many cases, difficult and extremely fact intensive.”⁴⁴ Petitioner asserts, perhaps incorrectly, that Ms. Stevenson is a Member of Rancho Verde. The Petitioner could develop a factual record, that indicates the May 2024 Assignment relied on by Respondent was ineffective or otherwise void, and nothing on the face of the document provided as Exhibit B to the Respondent's opening brief suggests that Petitioner reviewed or approved of it.⁴⁵ It may be that the Petitioner has indeed made an error and not named as a respondent the proper party in interest, but that issue will be best decided on a more complete factual record, consistent with the well pleaded allegations in the Petition as to the current Members of the Company.

Also, in evaluating Rule 12(b)(7) motions, the Court has in the past evaluated whether the party not joined has “been informed of the nature and pendency of th[e]

⁴³ See Dkt. 8 Ex. B.

⁴⁴ *Banks v. Banks*, 2007 WL 135638, at *3 (Del. Ch. Jan. 11, 2007) (citing *Elster v. Am. Airlines, Inc.*, 106 A.2d 202, 203 (Del. Ch. 1954)).

⁴⁵ Operating Agreement Section 13 is implicated. Respondent's assertion, “at the urging of Damos and with his assistance, Ms. Stevenson assigned her membership interest in Rancho Verde to the Stevenson Trust[,]” is precisely the type of factual injection that precludes deciding the Motion to Dismiss for the Respondent on this issue. Dkt. 8 at 6.

action.”⁴⁶ It is undisputed that with Ms. Stevenson named individually as the Respondent, that the Stevenson Trust, which she serves as Trustee for, has adequate notice, and may intervene should doing so be necessary.⁴⁷ Respondent’s Motion as to this argument and Rule 12(b)(7) is denied.

C. Forum Non Conveniens

Respondent’s argument regarding forum non conveniens fares no better than the lack of a necessary party, even accounting for the Court’s ability to consider extrinsic evidence.⁴⁸ Rancho Verde is a Delaware LLC, and the Operating Agreement provides for jurisdiction in the Courts of Delaware.⁴⁹ A petition pursuant to 6 *Del. C.* § 18-802, is proper in the Court of Chancery.⁵⁰ While there may be related issues in the pending California Action commenced by the Stevenson parties against the Petitioner, Delaware’s interests in resolving disputes among the LLCs

⁴⁶ *Banks*, 2007 WL 135638 at *3.

⁴⁷ Dkt. 8 Ex. B.

⁴⁸ *See Troy Corp. v. Schoon*, 2007 WL 949441, at *2 (Del. Ch. Mar. 26, 2007) (“Under this standard, the court ‘is not shackled to the plaintiff’s complaint’ and ‘is permitted to consider extrinsic evidence from the outset.’”) (quoting *Simon v. Navellier Series Fund*, 2000 WL 1597890, at *4-5 (Del. Ch. Oct. 19, 2000)).

⁴⁹ *See* Operating Agreement Sections 21 & 24.

⁵⁰ *In re Doehler Dry Ingredient Sols., LLC*, 2022 WL 4281841, at *3-5 (Del. Ch. Sept. 15, 2022) (discussing subject matter jurisdiction under Rule 12(b)(1) in another request for dissolution under Section 18-802).

formed under its laws do not support deferring to a pending suit involving different parties to resolve questions presented here.⁵¹

The Petition requests dissolution, and that is a matter squarely under Delaware law and capable of resolution in the Court of Chancery.⁵² Forum non conveniens is a discretionary standard for the trial court.⁵³ The Petitioner is not asking this Court to decide some issue of foreign law, but seeking defined statutory relief as to Rancho Verde, an entity formed under the laws of the State of Delaware.⁵⁴ Accepting the well-pleaded facts in the Petition, as the Court must at this stage, the Respondent's argument here injects issues of fact not properly resolved on a motion to dismiss,

⁵¹ Nothing in the record provides that the California Action has determined any issues that would preclude the Petitioner from pursuing the relief sought in the Petition. Further, Sections 21 and 24 of the Operating Agreement, provide for Delaware law to govern and Delaware to be the proper forum with consent to jurisdiction of the State and Federal Courts of Delaware. Operating Agreement Sections 21 & 24.

⁵² See *Doehler*, 2022 WL 4281841, at *3-5.

⁵³ *Martinez v. E.I. DuPont de Nemours & Co.*, 86 A.3d 1102, 1104 (Del. 2014) (“A *forum non conveniens* motion is addressed to the trial court’s sound discretion.”).

⁵⁴ Compare *Martinez*, 86 A.3d at 1110 (“To state it differently, just as our cases have recognized the plaintiff’s substantial interest in having important open questions of Delaware law decided by our courts, a principled application of that reasoning must give reciprocal weight to a defendant’s interest in having important issues of foreign law decided by the courts whose law governs the case.”) with Dkt. 8 at 8-10 (discussing the California Action, and putting forth a number of arguments that should not be decided without a more fulsome factual record).

and again leads to denial of the Respondent's Motion under this theory which appears to include reliance on Rules 12(b)(1) and 12(b)(3).⁵⁵

Respondent's arguments on forum non conveniens fail as the Operating Agreement has multiple provisions that suggest California may be an inappropriate forum, as transfer of Member Interests, the Governing Law, and the Forum Selection/Consent to Jurisdiction provide a solid basis for jurisdiction and venue in Delaware.⁵⁶ While the State or Federal Courts of Delaware "have non-exclusive" jurisdiction, Section 24 of the Operating Agreement "waives any objection to venue laid therein[.]"⁵⁷ While the Court may evaluate the California Purchase Agreement attached as Exhibit C to the Respondent's Motion, Section 7.12 of that document provides for arbitration of disputes among the parties, raising concerns that deferring

⁵⁵ See *In re Coinmint, LLC*, 261 A.3d 867, 904-08 (Del. Ch. 2021) (discussing the ongoing duty to determine subject matter jurisdiction, and how on a developed record, previously asserted "jurisdictional concerns under Rule 12(b)(1) [were] given new life").

⁵⁶ Compare Operating Agreement Sections 13, 21, & 24 (requiring disputes over assignment of Member Interests to be brought in Delaware and governed by Delaware law), with *Troy Corp.*, 2007 WL 949441 at *2 ("[T]he well-settled rule is that the court should 'give effect to the terms of private agreements to resolve disputes in a designated judicial forum out of respect for the parties' contractual designation.'") (quoting *Prestancia Mgmt. Grp, Inc. v. Va. Heritage Found. II, LLC*, 2005 WL 1364616, at *7 (Del. Ch. May 27, 2005) (also quoting Donald J. Wolfe, Jr. & Michael A. Pittenger, Corporate and Commercial Practice in the Delaware Court of Chancery § 5-4[a], at 5-53 to 5-54 (2005))).

⁵⁷ Operating Agreement Section 24 (conspicuous all caps removed).

to the California Action would not be appropriate.⁵⁸ For the foregoing reasons, the Court declines to stay this action, as requested in the alternative in the Motion, and suggested by the Respondent during oral argument, and in her supplemental response.⁵⁹

D. Failure to State a Claim

1. Dissolution of LLCs for Deadlock

“The Court of Chancery has ordered dissolution in situations where there was ‘deadlock’ that prevented the [entity] from operating and where the defined purpose of the entity was fulfilled or impossible to carry out.”⁶⁰ Accepting the well-pleaded facts in the Petition as true as required on the Respondent’s Motion to Dismiss, the

⁵⁸ Dkt. 8 Ex. C. Purchase Agreement Section 7.12 (“The parties agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration.”).

⁵⁹ See Oct. 1, 2026 Oral Arg. Transcript (“Tr.”) 2:23 - 3:12; Dkt. 34 at 1-3 (asserting “a stay is logical until the California court determines whether Petitioner remains a member with standing to seek dissolution at all.”).

⁶⁰ *Seneca Invs.*, 970 A.2d at 262-63 (first citing *In re Silver Leaf, L.L.C.*, 2005 WL 2045641, at *11 (Del. Ch. Aug. 18, 2005) (ordering dissolution of an LLC where “[t]he vote of the members is deadlocked”); then citing *Haley v. Talcott*, 864 A.2d 86, 89 (Del. Ch. 2004) (ordering dissolution of an LLC where there was “indisputable deadlock between the two 50% members of the LLC”); and then citing *PC Tower Ctr., Inc. v. Tower Ctr. Dev. Assocs. Ltd. P’ship*, 1989 WL 63901, at *6 (Del. Ch. June 8, 1989) (ordering dissolution of a limited partnership where the purpose of the partnership was to acquire and operate certain real property and that purpose was frustrated because the sole lessee of the property became insolvent and market conditions made finding a new tenant “practically impossible”)).

Petitioner is entitled to adduce evidence⁶¹ in support of the Petition for Dissolution under 6 *Del. C.* § 18-802.

The Petition identifies that Rancho Verde was established to hold real estate at 7071 Rancho Verde Lane, Loomis, California. Rancho Verde continues to do just that, and therefore, its purpose, which the Operating Agreement expands to “engage in any lawful activity for which limited liability companies may be formed in Delaware[,]”⁶² is not the crux of the dispute at this stage. The Petition therefore seeks dissolution based on a “deadlock.”⁶³

While the Petition’s own internal facts present an inherent inconsistency as to deadlock,⁶⁴ review of the Operating Agreement does not provide an unambiguous answer as to what the parties contracted for when faced with the situation alleged by the Petitioner. Throughout the Petition, the Petitioner contends that additional contributions have been made to give the Petitioner a majority interest in the

⁶¹ See *In re Silver Leaf, L.L.C.*, 2005 WL 2045641, at *10 (Del. Ch. Aug. 18, 2005) (“As two years of litigation and more than three days of trial have shown, the two sides cannot agree on how to run Silver Leaf. Moreover, the Operating Agreement, which mandates an agreement by the majority in interest in order to effectuate important actions for Silver Leaf, provides no mechanism to break the impasse between the parties.”).

⁶² Operating Agreement Section 2.

⁶³ Dkt. 1 ¶ 40.

⁶⁴ *Id.* ¶¶ 2, 6, 44, & 47-48.

Company.⁶⁵ Under the Operating Agreement, such a majority would allow the Petitioner to take a number of actions that do not require unanimous consent or a majority of the non-acting Members to consent, allowing the Petitioner to manage the affairs of Rancho Verde reducing the prospect of deadlock except for those areas with contractual consent protections for unanimity or approval by the non-acting Member.⁶⁶ Escaping any deadlock as to routine management of the Company seemingly requires the Petitioner to establish a majority interest in Rancho Verde, as alleged throughout the Petition.⁶⁷ Whether that can be done is ambiguous at best, as the Operating Agreement's Capital Contributions provision, Section 8, expressly requires "consent or approval of all Members."⁶⁸

Given the Petition's alternative thrust, that the Members do own equal shares, the Petitioner's pleaded facts also establish a reasonably conceivable deadlock exists. While the Operating Agreement styles itself as a Member-Managed LLC, Section 12(a) still provides for Ms. Stevenson to serve as Managing Member.⁶⁹ The import of that distinction is less than clear at this stage of the proceeding, rendering

⁶⁵ *Id.* ¶¶ 2, 6, & 47.

⁶⁶ *Compare* Operating Agreement Sections 12(a), 12(d) & 13, (permitting majority action), *with* Operating Agreement Sections 8, 14, 15, & 16 (requiring consent of all members).

⁶⁷ Dkt. 1 ¶¶ 2, 6, 44, 47-48.

⁶⁸ Operating Agreement Section 8.

⁶⁹ Operating Agreement Section 12(a).

the parties' intention as to routine governance ambiguous, and requiring the Court to review extrinsic evidence to divine what those conflicting provisions mean.⁷⁰

Specifically alleged are a lack of agreement on “a. recognition of Petitioner’s additional capital contributions; b. a buyout of Petitioner’s interest; c. sale of the Property; or d. ongoing management of the Company.”⁷¹ *Silver Leaf*,⁷² decided after multiple days of trial, found dissolution to be an appropriate remedy when a majority interest was necessary for important actions, and nothing in the operating agreement “provides [a] mechanism to break the impasse between the parties.”⁷³ With an ambiguous Operating Agreement, and issues of fact that must be developed, Petitioner has alleged deadlock sufficient to state a claim for judicial dissolution.⁷⁴

⁷⁰ *Salamone v. Gorman*, 106 A.3d 354, 374 (Del. 2014) (“When a contract’s plain meaning, in the context of the overall structure of the contract, is susceptible to more than one reasonable interpretation, courts may consider extrinsic evidence to resolve the ambiguity.”); *see also Holzbaaur v. Trolley Square Hosp., LLC*, 340 A.3d 603, 611 (Del. Ch. 2025)(“[W]here a contract contains two conflicting provisions, the document is rendered ambiguous.”) (quoting *Duff v. Innovative Discovery LLC*, 2012 WL 6096586, at *12 (Del. Ch. Dec. 7, 2012)).

⁷¹ Dkt. 1 ¶ 36.

⁷² 2005 WL 2045641.

⁷³ *Id.* at *10.

⁷⁴ *See Haley v. Talcott*, 864 A.2d 86, 89 (Del. Ch. 2004) (finding on summary judgment, that “an indisputable deadlock between the two 50% members of the LLC, and that deadlock precludes the LLC from functioning as provided in the LLC Agreement,” that the motion for summary judgment and order of dissolution should be granted).

The Petition seeks dissolution as a remedy, and with the Operating Agreement's conflicting provisions, it is not possible to conclude that the alleged facts require less drastic relief.⁷⁵

2. Motions to Dismiss Dissolution Petitions

In re Doehler Dry Ingredient Solutions, is particularly instructive in evaluating a motion to dismiss a petition for dissolution of an LLC where an allegation of deadlock is the basis for the relief.⁷⁶ As Petitioner did not cite to *Doehler* in its answering brief, at oral argument I requested additional briefing on the application of that case to the facts at hand.⁷⁷ The parties' positions, along with the Court's analysis, are further detailed below.

Doehler provides a useful comparison to Rancho Verde's situation before the Court here. The petitioner in *Doehler* also pleaded deadlock as grounds for dissolution.⁷⁸ Instead of capital contribution disputes as central here, *Doehler* featured alleged deadlock by way of an incurrence of \$25,000.00 without unanimous

⁷⁵ See 6 Del. C. §§ 18-111; 18-306; 18-402; 18-501; & 18-502 (providing other remedial paths for disputes over an LLC's governance).

⁷⁶ 2022 WL 4281841 (Del. Ch. Sept. 15, 2022), *aff'd sub nom. In re Dissolution of Doehler Dry Ingredient Sols., LLC*, 294 A.3d 64 (Del. 2023) (affirming "after consideration of the parties' briefs, the argument of counsel, and the record on appeal, it appears to the Court that the judgment of the Court of Chancery should be affirmed on the basis of its September 15, 2022 Memorandum Opinion").

⁷⁷ See Oct. 1, 2026 Oral Arg. Tr. 70:23 - 71:8; *see also* Dkts. 26 & 34.

⁷⁸ 2022 WL 4281841 at *8.

consent—a contract breach claim—and concerns about lack of unanimous consent for “nine actions critical to the LLC”; a prospective deadlock rather than a current one.⁷⁹

a. Petitioner’s View of Doehler

Petitioner asserts that the circumstances resulting in dismissal under *Doehler* are materially different than those at hand, as, (1) *Doehler* did not involve adequately pleaded existing deadlock; (2) the operating agreement in *Doehler* contained a specific contractual mechanism designed to resolve deadlock; and (3) *Doehler* involved a fundamentally different governance structure.⁸⁰ Petitioner concludes its brief by arguing that *Doehler* does not require insolvency or complete cessation of operations before dissolution is warranted⁸¹ and that if additional factual detail is required, leave to amend or supplement the petition should be allowed.⁸²

As to the first point, Petitioner contends that there is “an existing and ongoing impasse between the only two ownership sides of Rancho Verde”⁸³ in contrast to the “potential future deadlock that would arise if the petitioner chose to withhold

⁷⁹ Compare *id.* (setting forth contractual mechanisms to resolve the alleged deadlock within the LLC Agreement) with Dkt. 1 ¶¶ 36-37 (setting forth lack of agreement on issues that could be addressed in reference to other Operating Agreement provisions).

⁸⁰ See Dkt. 26 at 1-3 (Petitioner’s Supplemental Brief Regarding In Re Doehler Dry Ingredient Solutions, LLC).

⁸¹ See *id.* at 5-6.

⁸² See *id.* at 6-8.

⁸³ *Id.* at 2.

consent” as found in *Doehler*.⁸⁴ Petitioner next argues that *Doehler* is distinguishable from the present case as the “Rancho Verde Operating Agreement contains no comparable contractual mechanism specifically designed to resolve a 50/50 deadlock.”⁸⁵ Petitioner points to the fact that “[t]he Court expressly relied upon the existence of [a Buy-Sell Option], explaining that even if voting deadlock had been adequately alleged, dissolution would remain unavailable because the deadlock could ‘be remedied through a legal mechanism set within the four corners of the operating agreement.’”⁸⁶

Petitioner then argues that “there are only two competing ownership sides, and the Petition alleges that they are unable to agree on fundamental issues concerning the governance and operation of the Company.”⁸⁷ Petitioner argues that in *Doehler*, a “Board of Managers, and members holding a majority of the membership interests had acted by written consent to remove him as manager”⁸⁸ and that “petitioner was a 25% minority member and former manager.”⁸⁹ Petitioner, in contrast, provides that here there is “no undisputed ownership or governance

⁸⁴ *Doehler*, 2022 WL 4281841, at *15.

⁸⁵ Dkt. 26 at 2.

⁸⁶ *Id.* (citing *Doehler*, 2022 WL 4281841, at *15-16).

⁸⁷ *Id.* at 3 (citing Dkt. 1 ¶¶ 2, 30-44, 47-51).

⁸⁸ *Id.* (citing *Doehler*, 2022 WL 4281841, at *2-4).

⁸⁹ *Id.*

structure that permits one side to resolve the parties' member-level impasse unilaterally.”⁹⁰

Petitioner notes that in *Doehler*, the Court distinguished “between a dysfunctional relationship among members and dysfunction that makes it no longer reasonably practicable for an LLC to operate in conformity with its governing agreement.”⁹¹ Petitioner believes the latter more closely resembles the case at hand, as *Doehler* involved “an ongoing dry-foods business, and the Court emphasized that nothing in the petition supported an inference that the company was not continuing to perform those functions.”⁹² Whereas here, “the dispute concerns the management and disposition of the very asset the Company exists to own.”⁹³

Petitioner argues a reasonably conceivable claim is made under section 18-802, given the “existing impasse between the only two ownership sides, no undisputed majority capable of resolving that impasse, no mandatory contractual mechanism comparable to the one the Court relied upon in *Doehler*, and an inability

⁹⁰ *Id.*

⁹¹ *Id.* at 4-5.

⁹² *Id.* at 5.

⁹³ *Id.* at 4-5.

to agree upon fundamental issues concerning the governance and disposition of [Rancho Verde's] sole asset.”⁹⁴

Petitioner, in its final argument, asks the Court to permit supplementation or amendment to their complaint rather than outright dismissal.⁹⁵ However, given the Court's resolution of these items in Petitioner's favor, supplementation or amendment is not necessary, as the motion to dismiss is denied.

b. Respondent's View of Doehler

Respondent, in her brief, argues that *Doehler* is in line with the case at hand and that, (1) *Doehler* supports a stay of this case under *McWane Cast Iron Pipe Corp. v. McDowell-Wellman Eng'g Co.*⁹⁶; (2) Petitioner's manufactured deadlock does not justify dissolution; (3) Petitioner manufactured the deadlock; and (4) *Doehler* is not distinguishable.⁹⁷

Respondent first contends that a stay is warranted under *McWane*, as the facts align with those alleged in *Doehler*.⁹⁸ In *Doehler* the petitioner filed the action one day after the respondent sued in federal court seeking specific performance.⁹⁹

⁹⁴ *Id.* at 5-6.

⁹⁵ *See id.* at 6-8.

⁹⁶ 263 A.2d 281 (Del. 1970).

⁹⁷ *See* Dkt. 34.

⁹⁸ *See id.* at 2.

⁹⁹ *See Doehler*, 2022 WL 4281841, at *2.

Respondent provides that the Court in *Doehler* determined a stay may be appropriate, as if it were to permit dissolution of Doehler, then the federal court would not be able to award appropriate relief.¹⁰⁰ Respondent alleges this is exactly like *Doehler*, in that “[t]he California Action seeks specific performance ordering Petitioner to proceed with that sale of its interest. If Rancho Verde is dissolved before the contract dispute is adjudicated . . . an order of specific performance would become a Pyrrhic victory.”¹⁰¹ The Respondent’s argument fails to contend meaningfully with the jurisdictional and contractual problems on the face of the Purchase Agreement. As noted with respect to forum non conveniens, Section 7.12 of the Purchase Agreement provides for arbitration of disputes among the parties, raising concerns that deferring to the California Action would not be appropriate.¹⁰² With that plain contractual language present in the alternative action *Doehler*’s import for staying in favor of the other proceeding is overstated by the Respondent.

¹⁰⁰ See Dkt. 34 at 2-3; see also *Doehler N. Am., Inc. v. Davis*, 2022 WL 2785969, at *3 (D. Del. July 15, 2022).

¹⁰¹ Dkt. 34 at 3.

¹⁰² Dkt. 8 Ex. C. Purchase Agreement Section 7.12 (“The parties agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration.”).

Respondent next argues that Petitioner manufactured the alleged deadlock and that *Doehler* bars dissolution under that circumstance.¹⁰³ In *Doehler*, “the petitioner contended that his entity would decline to approve certain crucial actions for the LLC.”¹⁰⁴ The Court there found that such actions amounted to the manufacturing of a deadlock which could not support a claim for dissolution.¹⁰⁵ Respondent asserts that Petitioner contracted to sell its membership interest to Respondent and then, instead of performing, raced to this Court seeking dissolution.¹⁰⁶

Like in *Doehler*, Respondent argues that “[Rancho Verde] indisputably continues to perform its sole function. Rancho Verde’s only purpose is to hold and manage the Property at 7071 Rancho Verde Lane, Loomis, California. The Petition pleads no fact that [Rancho Verde] has stopped doing so.”¹⁰⁷

Respondent counters that Petitioner’s arguments regarding the “absence of a buy-sell provision” or “different governance structure” do not change the analysis.¹⁰⁸ Respondent argues that these were just “independent, alternative grounds for the

¹⁰³ See *id.* at 4 (citing *Doehler*, 2022 WL 4281841, at *8).

¹⁰⁴ *Id.*

¹⁰⁵ See *id.*

¹⁰⁶ See Dkt. 34 at 5.

¹⁰⁷ *Id.* at 6.

¹⁰⁸ *Id.* at 7.

conclusion in *Doehler*” and that the “deadlock failed because it was engineered by petitioner” and not adequately plead.¹⁰⁹

I am not satisfied that I could conclude that the deadlock is manufactured on the record that a motion to dismiss or stay affords. The Petition plainly alleges that the relationship between the Members has deteriorated, and efforts at a voluntary disposition of interests in the Company have been unsuccessful.¹¹⁰

Respondent concludes by contending that the defined purpose of Rancho Verde has not become impossible to fulfill, as it “vests daily operations in Ms. Stevenson as Managing Member, a role that she has long fulfilled.”¹¹¹

3. The Court’s Application of Doehler

Unlike the situation for Rancho Verde, in *Doehler* “the deadlock could ‘be remedied through a legal mechanism set within the four corners of the operating agreement.’”¹¹² No such alternative mechanism is unambiguously available to address the parties’ disputes here.

¹⁰⁹ *Id.*

¹¹⁰ Dkt. 1 ¶¶ 34-38.

¹¹¹ Dkt. 34 at 7.

¹¹² *Doehler*, 2022 WL 4281841 at *8 (quoting *Fisk Ventures LLC v. Segal*, 2009 WL 73957, at *7 (Del. Ch. Jan. 13, 2009)).

Section 8 of the Operating Agreement requires consent of all Members for additional Capital Contributions.¹¹³ Section 12 of the Operating Agreement, even after a determination as to majority membership status, is ambiguous as to what effect selection of Ms. Stevenson as the Managing Member would then be given, because Ms. Stevenson’s appointment as Managing Member is conditional on “all members designat[ing] otherwise[.]”¹¹⁴ While Rancho Verde still holds title to its sole asset as it has since the formation of the Company, the ability to make even basic decisions to care for the Property is alleged to be at a complete impasse.¹¹⁵

Section 12 of the Operating Agreement cannot be resolved without resorting to additional information beyond the four corners of the Operating Agreement.¹¹⁶ A

¹¹³ Operating Agreement Section 8.

¹¹⁴ *Kahn v. Portnoy*, 2008 WL 5197164, at *13 (Del. Ch. Dec. 11, 2008) (“I am unable, in the context of a motion to dismiss, to resolve this ambiguity [in the LLC agreement] by choosing among reasonable interpretations of the contract. After careful consideration of the allegations in the complaint, I conclude that plaintiff has alleged sufficient facts to survive the motion to dismiss.”); Operating Agreement Section 12(a).

¹¹⁵ *Kahn*, 2008 WL 5197164 at *7 (indicating dissolution’s “availability is limited to situations where ‘the LLC’s management has become so dysfunctional or its business purpose so thwarted that it is no longer practicable to operate the business, such as in . . . a voting deadlock or where the defined purpose of the entity has become impossible to fulfill.’”) (quoting *In re Arrow Inv. Advisors, LLC*, 2009 WL 1101682, at *2 (Del. Ch. Apr. 23, 2009)); see also Dkt. 1 ¶¶ 36-37.

¹¹⁶ *Doehler*, 2022 WL 4281841, at *7; see also *Hassanein v. NTO Fund I*, 2026 WL 2240127, at *23 (Del. Ch. Aug. 4, 2026) (“a provision authorizing a manager to manage an LLC is not sufficient to alter the unanimity requirement. Every LLC has either a manager-managed or member-managed governance structure.”).

factual record is necessary to be able to resolve this dispute.¹¹⁷ Accordingly the Respondent's Motion to Dismiss must be denied.

III. CONCLUSION

As I only have the record before me and have determined that the Petitioner has adequately pleaded a claim for judicial dissolution, the Motion is denied. In light of the provisions of the Operating Agreement and concerns about whether the California Action can accord sufficient relief, I deny the request to stay this case as well. As this is a report, and not a final report pursuant to Court of Chancery Rule 144, any exceptions are stayed.

Respectfully,
/s/ Timothy J. Fox
Magistrate in Chancery

¹¹⁷ The Petition also seeks appointment of a custodian and an accounting, as the Respondent's arguments fail for the reasons detailed above, I forego in depth analysis as to those additional counts of the Petition.